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First Service Holding Limited

第一服务控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2107)

**UPDATE ANNOUNCEMENT
PERFORMANCE GUARANTEES
IN RELATION TO THE ACQUISITION OF
QINGDAO LUOHANG ENTERPRISES MANAGEMENT CO., LTD***

References are made to the announcements of First Service Holding Limited (the “**Company**”) dated March 30, 2021, August 1, 2023, November 20, 2023, April 19, 2024 and July 22, 2024 in relation to, among others, the performance guarantees in relation to the acquisition of Qingdao Luohang Enterprises Management Co., Ltd* (青島洛航企業管理有限公司) (the “**Announcements**”). Unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

As disclosed in the section headed “Overall Outstanding Amount Owed by Ms. Wang to the Group” in the announcement of the Company dated July 22, 2024, the overall outstanding amount owed by Ms. Wang to the Group was RMB1,379,343.67 as of the date thereof and was subject to further changes as negotiations with the relevant parties continue.

Following negotiations with Ms. Wang and a comprehensive review of the outstanding amount owed by Ms. Wang to the Group, the Board hereby provides the following updated information:

Item	Amount as disclosed in the Announcements RMB	Revised amount RMB
Receivables Consideration payable by Ms. Wang to the Group	18,325,200.00	18,325,200.00
<i>Minus</i>		
Balance of Consideration payable by the Group to the Vendors	(8,214,753.24)	(8,214,753.24)
Profit distributable to Weihai Shangcheng for the three years ended December 31, 2023	(8,731,103.09)	(8,731,103.09)
Adjustments and reconciliations of payments made in previous fiscal years ⁽¹⁾	—	(850,952.12)
<i>Add</i>		
Consideration for the disposal of accounts receivable ⁽²⁾	—	1,569,064.47
Other settlement matters ⁽³⁾	—	2,241,761.68
	<u>1,379,343.67</u>	<u>4,339,217.70</u>

Notes:

- (1) Please refer to the section headed “Adjustments and reconciliations of payments made in previous fiscal years” of this announcement.
- (2) Please refer to the section headed “Consideration for the disposal of accounts receivable” of this announcement.
- (3) Please refer to the section headed “Other settlement matters” of this announcement.

ADJUSTMENTS AND RECONCILIATIONS OF PAYMENTS MADE IN PREVIOUS FISCAL YEARS

As disclosed in the announcement of the Company dated March 30, 2021, by January 31, 2022, the Purchaser will reassess the net asset value of Shangcheng Property taking into account the actual amount recovered by Shangcheng Property by December 31, 2021 in respect of the accounts receivable of Shangcheng Property as at December 31, 2020.

In the event that the Revised NAV is equal to or greater than RMB32,000,000, then Shangcheng Property shall retain all net asset value as of December 31, 2020, and Ms. Wang has the right to recover Shangcheng Property's outstanding accounts receivable as of December 31, 2020.

The updated balance sheet prepared by First Property Beijing indicated that Shangcheng Property recorded Revised NAV greater than RMB32,000,000 as of December 31, 2020. As a result, Shangcheng Property shall retain all net asset value as of December 31, 2020, and the outstanding accounts receivable of RMB850,952.12 is owed to Ms. Wang.

CONSIDERATION FOR THE DISPOSAL OF ACCOUNTS RECEIVABLE

On December 20, 2024, First Property Beijing entered into a third supplemental agreement with Ms. Wang, Weihai Shangcheng and Shangcheng Property (the “**Supplemental Agreement III**”). Pursuant to the Supplemental Agreement III, (i) Ms. Wang and Shangcheng Property have agreed to purchase from Shangcheng Property receivables owed to Shangcheng Property in the aggregate sum of RMB1,569,064.47 at a consideration equal to its face value of RMB1,569,064.47, and (ii) Shangcheng Property shall have the right to deduct any unpaid amount from the profit distributable to Ms. Wang and Weihai Shangcheng.

The consideration for the receivables shall be paid by Ms. Wang and Weihai Shangcheng on or before February 28, 2027 to Shangcheng Property through the deduction of any unpaid amount from the profit distributable. In the event that neither Ms. Wang nor Weihang Shangcheng pays the full consideration for the receivables on or before February 28, 2027, Shangcheng Property shall have the right to require Ms. Wang and Weihai Shangcheng to be jointly liable for any outstanding amount, including but not limited to providing cash compensation for the shortfall.

OTHER SETTLEMENT MATTERS

Following a detailed examination of the financial transactions between Ms. Wang and the Group, it has been determined that certain outstanding amounts remain due from Ms. Wang to the Group. These amounts arise from specific transactions and agreements, representing various unsettled financial obligations. The details of these outstanding amounts are as follows:

1. On December 30, 2024, First Property Beijing entered into the fourth supplemental agreement (the “**Supplemental Agreement IV**”) with Ms. Wang, Weihai Shangcheng, the Target Company and Shangcheng Property. Pursuant to the terms of the Supplemental Agreement IV, the parties agreed that the net asset value of Shangcheng Property as of December 31, 2020 in excess of RMB32 million shall belong to Ms. Wang and shall be first used to offset income tax liabilities related to the Acquisition paid by Shangcheng Property which shall be borne by Ms. Wang. Shangcheng Property recorded net asset value of RMB32.7626 million as of December 31, 2020. Consequently, RMB762,600 shall be allocated to Ms. Wang. After offsetting income tax liability of RMB128,000, Ms. Wang remains liable to Shangcheng Property in the amount of RMB517,400.
2. Pursuant to the terms of the Supplemental Agreement IV, the Target Company incurred an expense amounting to RMB1,637,075 due to the settlement of certain payables prior to Completion. The parties to the Supplemental Agreement IV have agreed that Ms. Wang shall reimburse the Target Company for such expenses on a dollar-for-dollar basis.
3. Pursuant to the supplemental agreement dated March 30, 2021, Ms. Wang shall have the right to purchase vehicles from Shangcheng Property at their residual value upon the expiration of the depreciation period. On December 20, 2024, Ms. Wang has elected to exercise her rights to acquire five vehicles from Shangcheng Property at their residual value of RMB87,286.68 upon the expiration of the depreciation period.

RECOVERY ACTIONS TO BE TAKEN BY THE GROUP

Pursuant to the terms of the Supplemental Agreement II, since February 29, 2024 and up to the date of this announcement, as neither Ms. Wang nor Weihai Shangcheng has paid the Receivables Consideration to Shangcheng Property, Shangcheng Property shall have the right to deduct any unpaid amount from the profit distributable to Weihai Shangcheng from the unpaid Receivables Consideration.

The Company will recover the overall outstanding amount owed by Ms. Wang to the Group by exercising its contractual right under the Supplemental Agreement II to deduct the outstanding amount from the future profit distributions to Weihai Shangcheng. Accordingly, the Company is of the view that it will be compensated according to the original terms of the Equity Transfer Agreements.

The Company and Ms. Wang have reached a final agreement on all outstanding amount owed by Ms. Wang to the Group. The Company intends to publish further announcement(s) as and when there are any material developments.

By order of the Board
First Service Holding Limited
Zhang Peng
Chairman

Hong Kong, December 31, 2024

As at the date of this announcement, our executive Directors are Mr. Liu Peiqing, Mr. Jin Chungang and Ms. Zhu Li, our non-executive Directors are Mr. Zhang Peng, Mr. Long Han and Mr. Wang Ziming, and our independent non-executive Directors are Ms. Sun Jing, Mr. Cheng Peng and Mr. Yang Xi.

** For identification purposes only*